

ELIAS C. ALVORD (1942)
ELLSWORTH C. ALVORD (1964)

ROBERT W. ALVORD
ALBERT H. GREENE
CARL C. DAVIS*
CHARLES T. KAPPLER
JOHN H. DOYLE
MILTON C. GRACE*
GEORGE JOHN KETO**
RICHARD N. BAGENSTOS

* NOT A MEMBER OF D.C. BAR
** ALSO A MEMBER OF OHIO BAR

LAW OFFICES
ALVORD AND ALVORD

200 WORLD CENTER BUILDING

918 SIXTEENTH STREET, WASHINGTON, D.C. 20006-2933

WASHINGTON, D.C.

20006-2933

September 30, 1983

14175

OF COUNSEL
JESS LARSON
JOHN L. INGOLDSBY
URBAN A. LESTER

CABLE ADDRESS
"ALVORD"

TELEPHONE
AREA CODE 202
93-2266

TELEX
440367 A AND A
440348 COAA UI

No.

Date

Fee \$

ICC Washington, D.C.

SEP 30 1983

50.00

Ms. Agatha L. Mergenovich
Secretary
Interstate Commerce Commission
Washington, D.C.

Dear Ms. Mergenovich:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. §11303 are three fully executed counterparts of a Security Agreement dated as of September 29, 1983, a "primary document" as that term is defined in 49 C.F.R. §1177.1(a).

A general description of the railroad equipment covered by the enclosed document is:

Gondola railroad cars to be numbered in the series SP 800000 through 800149

The names and addresses of the parties to the enclosed document are:

Debtor: James-Furman & Company
503 High Street
P. O. Box 568
Oregon City, Oregon 97045

Secured
Party: California Group Services
1717 North California Street
P. O. Box 8012
Walnut Creek, California 94598

RECORDED
SEP 30 11 27 AM '83
FEE OPERATION BR.

The undersigned is agent for the Debtor for the purpose of submitting the enclosed document for filing and recordation.

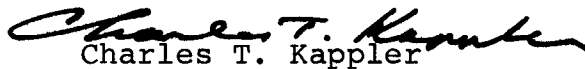
Kindly return the stamped copies of the enclosed document not needed for your records to Charles T. Kappler, Esq., Alvord and Alvord, 918 Sixteenth Street, N.W., Washington, D.C. 20006.

C. T. Kappler

Ms. Agatha L. Mergenovich
Secretary
Interstate Commerce Commission
September 30, 1983
Page Two

Also enclosed is a check in the amount of \$50
payable to the order of the Interstate Commerce Commission
covering the required recordation fee.

Very truly yours,


Charles T. Kappler

ELIAS C. ALVORD (1942)
ELLSWORTH C. ALVORD (1964)

ROBERT W. ALVORD
ALBERT H. GREENE
CARL C. DAVIS*
CHARLES T. KAPPLER
JOHN H. DOYLE
MILTON C. GRACE*
GEORGE JOHN KETO**
RICHARD N. BAGENSTOS

* NOT A MEMBER OF D.C. BAR
** ALSO A MEMBER OF OHIO BAR

LAW OFFICES
ALVORD AND ALVORD

200 WORLD CENTER BUILDING

918 SIXTEENTH STREET, N.W.

WASHINGTON, D.C.

20006-2973

September 30, 1983

OF COUNSEL
JESS LARSON
JOHN L. INGOLDSBY
URBAN A. LESTER

CABLE ADDRESS
"ALVORD"

TELEPHONE
AREA CODE 202
393-2266

TELEX
440367 A AND A
440348 CDAA UI

Ms. Agatha L. Mergenovich
Secretary
Interstate Commerce Commission
Washington, D.C.

14175
RECORDATION P.D. Filed 1425

SEP 30 1983 -9 25 AM

INTERSTATE COMMERCE COMMISSION

Dear Ms. Mergenovich:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. §11303 are three fully executed counterparts of a Security Agreement dated as of September 29, 1983, a "primary document" as that term is defined in 49 C.F.R. §1177.1(a).

A general description of the railroad equipment covered by the enclosed document is:

Gondola railroad cars to be numbered in the series SP 800000 through 800149

The names and addresses of the parties to the enclosed document are:

Debtor: James-Furman & Company
503 High Street
P. O. Box 568
Oregon City, Oregon 97045

Secured
Party: California Group Services
1717 North California Street
P. O. Box 8012
Walnut Creek, California 94598

The undersigned is agent for the Debtor for the purpose of submitting the enclosed document for filing and recordation.

Kindly return the stamped copies of the enclosed document not needed for your records to Charles T. Kappler, Esq., Alvord and Alvord, 918 Sixteenth Street, N.W., Washington, D.C. 20006.

Ms. Agatha L. Mergenovich
Secretary
Interstate Commerce Commission
September 30, 1983
Page Two

Also enclosed is a check in the amount of \$50
payable to the order of the Interstate Commerce Commission
covering the required recordation fee.

Very truly yours,

Charles T. Kappler

Interstate Commerce Commission
Washington, D.C. 20423

9/30/83

OFFICE OF THE SECRETARY

Charles T. Kappler, Esq.

Alvord & Alvord

918 16th Street, N.W.

Washington, D.C. 20006-2973

Dear **Sir:**

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on **9/30/83** at **9:35am**, and assigned re-recording number(s). **14175**

Sincerely yours,

Agatha L. Mergenovich
Agatha L. Mergenovich
Secretary

Enclosure(s)

SEP 30 1983 -9 25 AM

SECURITY AGREEMENT

INTERSTATE COMMERCE COMMISSION

THIS SECURITY AGREEMENT (the "Security Agreement") is dated as of September 29, 1983 between JAMES-FURMAN & COMPANY, an Oregon general partnership (the "Debtor"), and CALIFORNIA GROUP SERVICES, a California corporation (the "Secured Party").

WITNESSETH:

Secured Party and Debtor have entered into an agreement providing for the issuance by Debtor of certain recourse secured notes (the "Notes") not exceeding Two Million Two Hundred Thousand Dollars (\$2,200,000) in aggregate principal amount under that certain Letter of Intent dated as of September 29, 1983 between Debtor and Secured Party and any amendments and supplements thereto.

In consideration of the mutual covenants contained herein, Secured Party and Debtor agree as follows:

1. Grant of Security Interest. In consideration of the purchase of the Notes by Secured Party and other good and valuable consideration, receipt of which is hereby acknowledged, Debtor hereby assigns to Secured Party, its successors and assigns, the collateral described in Section 2 below and grants to Secured Party, its successors and assigns, a security interest in the collateral described in Section 2 below (such collateral herein referred to as the "Collateral"), subject always to the rights, powers, privileges and interests of Lessee under one or more leases, subleases or use agreements entered into between Debtor, or an affiliate of Debtor, as lessor, and a lessee, sublessee or other user of the Collateral (the "Lease").

2. Collateral. The collateral of this Security Agreement is:

(a) the gondola railroad cars described on Schedule I attached hereto ("Equipment");

(b) any lease or rental of the Equipment by or through Debtor (the "Lease") to any user of the Equipment, as the same may be amended;

(c) all proceeds earned or derived as rental proceeds; casualty and insurance proceeds realized with respect to the Equipment; indemnity proceeds and sales proceeds for the Cars.

3. Covenants and Warranties of Debtor. Debtor covenants, warrants and agrees as follows:

3.1 Further Assurances. Debtor will, upon written request from Secured Party, at its expense, do, execute, acknowledge and deliver all and every further acts, deeds, conveyances, transfers and assurances reasonably necessary or proper for the better assuring, conveying, assigning, confirming and perfecting unto Secured Party its security interest in all of the Collateral, whether now owned or hereafter acquired.

3.2 Recordation and Filing. Debtor will, at its expense and after consulting with Secured Party, cause such financing, continuation statements and similar notices as are required by applicable law to be kept, recorded and filed, at all times until Debtor's obligations to Secured Party (the "Secured Obligations") have been fully discharged, in such manner and in such places within the United States as may be required by law or designated by Secured Party, including but not limited to, the Interstate Commerce Commission and the State of Oregon, in order to preserve and protect the rights of Secured Party hereunder (including, without limitation, the perfection and priority of the security interest of Secured Party herein granted).

3.3 Actions of Debtor in Respect of the Lease. Debtor:

(a) will perform and observe all covenants and agreements on Debtor's part to be performed and observed under the Lease;

(b) will not mortgage, pledge or hypothecate (other than to Secured Party hereunder) its interest in the Collateral or in any amount to be received by it from the use or disposition of the Collateral; will not sell, assign or otherwise transfer its interest in the Collateral except as permitted by the Secured Party in writing; will not receive or collect any rents prior to the date for payment thereof provided in the Lease; and will not take, suffer or omit any action for the purpose or with the effect of impairing the security interest granted, or the assignment made, to Secured Party hereunder, or otherwise of adversely affecting the Collateral; and

(c) will pay, or satisfy and discharge, all liens, charges, encumbrances, security interests or claims (other than those caused by any act, omission or fault of the Lessee and other than the security interest created herein) (i) created by, through or under Debtor which, if unpaid, will constitute or become a lien or charge upon the Collateral, or any part thereof, or (ii) which may be levied against or imposed upon any unit of Equipment as a result of the failure of Debtor to perform any of its covenants or agreements hereunder or under the Notes or the Lease, which, if allowed to remain, would affect or endanger the Lessee's right of quiet enjoyment and use of the Equipment or Secured Party's rights therein. Debtor shall not be required to pay or discharge any such claims so long as it shall, in good faith and by appropriate legal proceedings, contest the validity thereof in any reasonable manner which will not affect or endanger the Lessee's right of quiet enjoyment and use of the Equipment or Secured Party's rights therein.

3.4 Advances by Secured Party. If Debtor shall fail to perform any of Debtor's covenants contained in this Section 3 or in the Lease, or the Lessee shall fail to perform any of the covenants and agreements contained in the Lease, Secured Party may make advances to perform and observe the same in its behalf (giving notice thereof to Debtor and the Lessee prior to or concurrently with the making of any such advance), but shall be under no obligation so to do; and all sums so advanced shall be forthwith repaid by Debtor, and shall bear interest

(to the extent lawful) at the rate of 18% per annum until paid, and any such sums advanced shall constitute part of the Secured Obligations; but no such advance shall be deemed to relieve Debtor from any default hereunder, or Lessee from any default under the Lease.

4. Use and Release of Collateral.

4.1 Possession of Equipment. So long as no Event of Default shall have occurred and be continuing hereunder, Debtor shall be permitted to remain in full possession, enjoyment and control of the Equipment and each unit thereof and to manage, operate and use the same with the rights and franchises appertaining thereto; provided always that the possession, enjoyment, control and use of the Equipment shall at all times be subject to the observance and performance of the terms of this Security Agreement. It is expressly agreed that the use and possession of the Equipment by Lessee under and in accordance with the Lease and the performance by Debtor of its obligations under the Lease, shall not constitute a violation of this Section 4.1.

4.2 Release. So long as no Event of Default, or an event which, with the passage of time or the giving of notice, or both, would become an Event of Default hereunder, has occurred and is continuing, Secured Party shall execute a release of the Collateral solely in respect of any Item of Equipment suffering an Event of Loss upon (a) receipt of written notice from Debtor designating the Items of Equipment in respect of which the Lease will terminate, and (b) receipt by Secured Party of proceeds to which Secured Party is entitled under Section 5.1 hereof as settlement by the Lessee for such Equipment. Secured Party shall, upon the request of Debtor and at Debtor's expense, execute and deliver all additional documents and instruments to discharge and cancel all of Secured Party's interests in any Item of Equipment in respect of which Secured Party is required to execute a release under this Section 4.2, including, without limitation, all documents and instruments required to be recorded under the Uniform Commercial Code in effect in any jurisdiction to release any such Item of Equipment from any financing statements theretofore filed in such jurisdiction pursuant to this Security Agreement.

4.3 Payments Received by Debtor Released. Any portion of any payment made in accordance with the provisions of the Lease and paid over to Debtor pursuant to the provisions of Section 5 hereof shall be released from the security interest created hereby at the time of payment to Debtor without the necessity for the execution of any release or the performance of any other act by Secured Party and Debtor shall be entitled to retain such amount free and clear of the security interest created hereby.

5. Application of Monies.

5.1 Application of Insurance Proceeds. In the event the Secured Party shall receive any proceeds of insurance maintained by the Debtor or the Lessee in respect of the Equipment, the same shall be held

by the Secured Party as part of the Collateral and shall be applied by the Secured Party from time to time to any one or more of the following purposes:

If no Event of Default (as defined in the Lease) has occurred and is continuing, the proceeds of such insurance shall, upon the written request of the Debtor therefor, be released to the Debtor to reimburse the Lessee for expenditures made for the repair or restoration of the Item or Items for which such proceeds were received upon receipt by the Secured Party of a certificate of an authorized officer of the Lessee showing in reasonable detail the purpose and the cost of such repair or restoration and stating that such repair or restoration has been completed and paid for and stating that there is no Event of Default under the Lease.

5.2 Application in Event of Default. If an Event of Default shall have occurred and be continuing, all of the foregoing amounts shall be applied pursuant to Section 6.3 hereof until such Event of Default shall have been cured or waived in accordance with the terms hereof and Secured Party has been reimbursed in full for all reasonable expenses incurred in exercising its rights pursuant to Section 6.2 hereof.

6. Defaults and Related Provisions.

6.1 Event of Default. Any of the following events or conditions shall constitute an Event of Default hereunder:

(a) Debtor shall fail to pay, when due, any part of the principal of, or interest on, any of the Notes, and such failure to pay shall have continued for 10 days; or

(b) Default in the due observance or performance by Debtor of any covenant, condition or agreement to be observed or performed by Debtor under this Security Agreement or the Lease; or

(c) Any representation or warranty made by Debtor herein, in the Lease, or in any report, certificate, financial or other statement furnished in connection with this Security Agreement or the Lease shall prove to be false or misleading in any material respect.

6.2 Secured Party's Rights. Debtor agrees that when an Event of Default has occurred and is continuing, Secured Party shall have the rights, options, duties and remedies of a secured party and Debtor shall have the rights and duties of a debtor under the Uniform Commercial Code in effect in each jurisdiction where the Collateral or any part thereof is located and, without limiting the foregoing, Secured Party may exercise one or more or all, and in any order, of the remedies hereinafter set forth:

(a) Secured Party may, by notice in writing to Debtor, declare the entire unpaid principal balance of the Notes to be immediately due and payable; and thereupon all such unpaid balance, together with all accrued and unpaid interest thereon, shall be immediately due and payable.

(b) Subject always to the then existing rights, if any, of Lessee under the Lease, Secured Party personally, or by agents or attorneys, shall have the right (subject to compliance with any applicable mandatory legal requirements) to take immediate possession of the Collateral or any portion thereof and for that purpose may pursue the same wherever it may be found and may enter any of the premises of Debtor and Lessee (to the extent not prohibited by the Lease), with or without notice, demand, process of law or legal procedure, and search for, take possession of, remove, keep and store the same, or use and operate, or lease the same until sold and may otherwise exercise any and all of the rights and powers of Debtor in respect thereof.

(c) Secured Party may collect and receive any and all rents, revenues and other cash and non-cash proceeds from the Collateral.

(d) Subject always to the then existing rights, if any, of Lessee under the Lease, Secured Party may, if at the time such action may be lawful (and always subject to compliance with any mandatory legal requirements), either with or without taking possession, either before or after taking possession, and without instituting any legal proceedings whatsoever, and having first given notice of such sale by registered mail to Debtor once at least ten (10) calendar days prior to the date of such sale, and any other notice which may be required by law, if said notice is sufficient, sell and dispose of the Collateral or any part thereof at public auction(s) to the highest bidder, or at a private sale(s), in one lot as an entirety or in several lots, and either for cash or for credit and on such terms as Secured Party may determine, and at any place (whether or not it is the location of the Collateral or any part thereof) designated in the notice above referred to. Any such sale or sales may be adjourned from time to time by announcement at the time and place appointed for such sale or sales, or for any such adjourned sale or sales without further notice, and Secured Party or the holder or holders of the Notes, or any interest therein, may bid and become the purchaser at any such sale.

(e) Secured Party may proceed to protect and enforce this Security Agreement and the Notes by suit or suits or proceedings in equity, at law or in bankruptcy, and whether for the specific performance of any covenant or agreement herein contained, or execution or aid of any power herein granted; or for foreclosure hereunder, or for the appointment of a receiver or receivers for the Collateral, or any part thereof, or for the enforcement of any proper legal or equitable remedy available under applicable law.

6.3 Application of Proceeds. If an Event of Default shall occur and be continuing and the Secured party shall exercise any of the powers conferred upon it by Sections 6.1 and 6.2 hereof, all payments made by Debtor to Secured Party hereunder after such Event of Default, and the proceeds of any judgment collected hereunder from the Debtor by the Secured Party, and the proceeds of every sale by the Secured party of any of the Collateral, together with any other sums which may then be

held by the Secured Party under any of the provisions hereof, shall be applied by the Secured Party to the payment in the following order of priority:

(a) First, to the payment of the costs or expenses of foreclosure or suit, if any, and of such sale, and of all costs, expenses, liability and advances, including legal expenses and attorneys' fees, incurred or made hereunder, or in connection herewith or with the collection of the Notes, by Secured Party, or by the holder or holders of the Notes, and to the payment of all taxes, assessments, liens or security interests superior to the lien of these presents, except any taxes, assessments or other superior liens or security interests subject to which said sale may have been made;

(b) Second, to the payment or discharge of any unpaid Secured Obligations.

(c) Third, to the payment of the balance remaining, if any, to Debtor.

6.4 Waiver by Debtor. To the full extent permitted by law, Debtor hereby waives all statutory or other legal requirements for any notice of any kind, notice of intention to take possession of or to sell or lease the Collateral, or any portion thereof, and any other requirements as to the time, place and terms of the sale or lease thereof, except as specifically required under this Security Agreement.

6.5 Discontinuance of Remedies. In the case Secured Party shall have proceeded to enforce any right or power under this Security Agreement by foreclosure, sale, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely, then and in every such case Debtor, Secured Party and the holders of the Notes shall be restored to their former positions, rights and powers hereunder with respect to the Collateral.

6.6 Exercise of Rights. No delay or omission of Secured Party or the holder of any Note to exercise any right or power arising from any default shall exhaust or impair any such right or power or prevent its exercise during the continuance of such default. No waiver by Secured party or the holder of any Note of any such default, whether such waiver be full or partial, shall extend to or be taken to affect any subsequent default, or to impair the rights resulting therefrom except as may be otherwise provided therein. The giving, taking or enforcement of any other or additional security, collateral or guaranty for the payment of the Secured Obligations shall not operate to prejudice, waive or affect the security of this Security Agreement or any rights, powers or remedies hereunder, and neither Secured Party nor the holder of any of the Notes shall be required to look first to enforce or exhaust such other additional security collateral or guaranties. All rights, remedies and options of Secured Party hereunder or by law shall be cumulative.

6.7 Payment of Notes Prior to Sale. If Secured Party proceeds to avail itself of any of the remedies set forth in Section 6.2 hereof, then any Event of Default hereunder shall be deemed cured and not continuing if, prior to any sale by Secured Party of the Collateral pursuant to Section 6.2 hereof, Debtor shall pay or cause to be paid to the holders of the Notes the entire unpaid principal balance of the Notes, together with all accrued and unpaid interest thereon, and shall pay or cause to be paid to Secured Party its reasonable expenses incurred in exercising its rights pursuant to Section 6.2 hereof and any other unpaid Secured Obligations due and owing.

7. Miscellaneous.

7.1 Successors and Assigns. Whenever any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such parties, and all the covenants, promises and agreements in this Security Agreement contained by or on behalf of Debtor or Secured Party shall bind and inure to the benefit of the respective successors and assigns of such parties whether so expressed or not.

7.2 Partial Invalidity. The unenforceability or invalidity of any provision(s) of this Security Agreement shall not render any other provision(s) herein contained unenforceable or invalid.

7.3 Communications. All communications provided for herein shall be in writing and shall be deemed to have been given (unless otherwise required by the specific provisions hereof in respect of any matter) when addressed and delivered personally or when deposited in the United States mail, registered or certified, postage prepaid, and addressed as follows:

If to Debtor:

James-Furman & Company
503 High Street
P. O. Box 568
Oregon City, Oregon 97045
Attention: General Counsel

If to Secured Party:

California Group Services
1717 North California Street
P. O. Box 8012
Walnut Creek, California 94598

or as to Debtor or Secured Party at such other address as they may designate by notice duly given in accordance with this Section to the other party.

7.4 Transfer of Debtor's Interest. Debtor shall not assign, convey or otherwise transfer any of its right, title or interest as owner of the Equipment or as successor to the lessor under the Lease to any person, unless consented to in advance and in writing by Secured Party.

7.5 Notice of Event of Loss. Debtor shall promptly notify Secured party upon receipt of notice of an Event of Loss under the Lease.

7.6 Attorney's Fees: Upon a default hereunder or under the Notes, Secured Party's reasonable attorney's fees and the legal and other expenses for pursuing, searching for, receiving, taking, keeping, storing, advertising and selling the Collateral shall be chargeable to the Debtor and payable out of the proceeds of the sale or other disposition of the Collateral.

7.7 Counterpart; Governing Law. This Security Agreement may be executed, acknowledged, and delivered in any number of counterparts, each of such counterparts constituting an original but all together only one Security Agreement. This Security Agreement and the Notes shall be construed in accordance with and governed by the laws of the State of California.

IN WITNESS WHEREOF, Debtor and Secured Party have caused this Security Agreement to be executed by their officers thereunto duly authorized and their corporate seals hereto affixed as of the day and year first above written.

DEBTOR:
JAMES-FURMAN & COMPANY

By Alan James
Its Partner
By William A. Smith
Its Partner

SECURED PARTY:
CALIFORNIA GROUP SERVICES

By John A. Smith
Its President
By _____
Its _____

STATE OF OREGON)
) SS:
COUNTY OF CLACKAMAS)

On this 29th day of September, in the year 1983, before me personally appeared William A. Furman, general partner of James-Furman & Company, proved to me on the basis of satisfactory evidence to be the person who executed the within instrument as general partner and on behalf of the general partnership therein named and acknowledged to me that the general partnership executed it.



Notary Public

(Notary Seal)

STATE OF OREGON)
) SS:
COUNTY OF CLACKAMAS)

On this 29th day of September, in the year 1983, before me personally appeared Alan James, general partner of James-Furman & Company, proved to me on the basis of satisfactory evidence to be the person who executed the within instrument as general partner and on behalf of the general partnership therein named and acknowledged to me that the general partnership executed it.

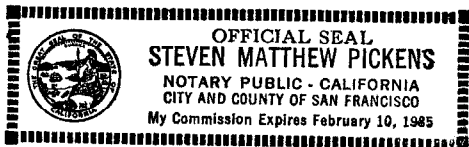


Notary Public

(Notary Seal)

STATE OF CALIFORNIA)
COUNTY OF *San Francisco*) SS:

On this 29th day of September, in the year 1983, before me personally appeared D. Fred Shieman, President of California Group Services, proved to me on the basis of satisfactory evidence to be the person who executed the within instrument as President and on behalf of the corporation therein named and acknowledged to me that the corporation executed it.



(Notary Seal)

Steven Matthew Pickens

Notary Public

SCHEDULE I

DESCRIPTION OF EQUIPMENT

Cars to be numbered in Series SP 800000 through SP 800149.

J9.28.83.1